

NEWS RELEASE

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CONTACT: GLENN BRIERE
(617) 727-6200, EXT. 123

DeNUCCI SAYS MISMANAGEMENT RESPONSIBLE FOR DENNIS HOUSING'S FINANCIAL DECLINE

State Auditor Joe DeNucci reported today that mismanagement and questionable decisions by the Dennis Housing Authority have placed the authority in a dangerous financial decline.

According to DeNucci's audit, a variety of improprieties are responsible for the authority's fiscal jeopardy. The authority's operating reserve shrunk from \$157,000 on June 30, 2001 to \$26,232 as of Dec. 31, 2002, more than \$70,000 below the minimum operating reserve required by the state. The authority also owes the Commonwealth \$178,536 for overpayments of its annual state subsidy.

DeNucci's review revealed that lax payroll practices permitted the authority's former executive director, who resigned suddenly during the course of the audit, and a maintenance man to cash altered payroll checks worth \$63,881. In addition, the former executive director received \$6,250 in extra compensation for performing functions that appeared to fall within the duties covered by her \$59,000 annual salary.

Furthermore, the former executive director improperly awarded \$13,173 in sick and vacation time to several employees. Of this amount, \$6,723 worth of sick and vacation leave went to a maintenance man. Although the authority's own policies state that employees are not entitled to earn annual leave before completing six months on the job, this maintenance man left less than five months after starting, improperly accruing a total of 36.25 vacation days, 18 sick days and three personal days.

DeNucci's audit also found that the authority mismanaged the development of affordable housing at the six-acre Melpet Farms property. A \$400,000 construction loan was intended to rehabilitate the authority's 13 existing units, but only seven were occupied and habitable after the authority had used up most of the money (\$370,350).

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At the completion of DeNucci's audit, six of the Melpet Farm units remained vacant and were not fit for occupancy. The authority, which lacked adequate controls over operating expenses and revenues for this project, does not have sufficient resources to finish the restoration of these units.

DeNucci's audit also disclosed that the authority violated state law by failing to solicit competitive bids on contracts it awarded for rehabilitation work worth more than \$409,320. Some of the questionable no-bid contracts resulted in excess profits, improper payments and work not performed.

The audit further questioned \$39,290 in questionable purchases of supplies and equipment from a local wholesale supplier. The former executive director made these purchases, which included cleaning supplies, outdoor furniture and a swing set, without any oral or written price quotes and without justifying the need for these items.

In addition, DeNucci's audit noted that the authority spent more than \$7,800 in poorly documented expenses for board members and the former executive director to attend conferences at luxury resort hotels throughout New England.

"The authority's financial predicament is a direct result of mismanagement and a lack of effective oversight by its board," said DeNucci.

In its response, the Housing Authority's Board of Commissioners concurred with DeNucci's findings and acknowledged its own lack of oversight. The board indicated that it has already begun to take steps to correct some of the problems and will continue to put policies and procedures in place to restore and protect the authority's financial integrity.

"I urge the commissioners to work with the state Department of Housing and Community Development to implement a management plan that will enable the authority to stabilize its finances and protect the interests of its residents," concluded DeNucci.